



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
HART COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 1998

**EDWARD B. HATCHETT, JR.
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Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Sarah Jane Schaaf, Secretary, Revenue Cabinet
Honorable Terry Shelton, County Judge/Executive
Members of the Hart County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Hart County, Kentucky, as of June 30, 1998, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Hart County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Hart County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky. Consequently, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising from cash transactions of Hart County, Kentucky, and the related statement of cash receipts, cash disbursements, and changes in cash balances as of and for the year ended June 30, 1998, in conformity with the cash basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Sarah Jane Schaaf, Secretary, Revenue Cabinet
Honorable Terry Shelton, County Judge/Executive
Members of the Hart County Fiscal Court

Our audit was performed for the purpose of forming an opinion on the financial statements of Hart County, Kentucky, taken as a whole. The information provided on the accompanying schedules is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following area of noncompliance:

- The County Should Have Required Depository Institutions To Pledge Additional Securities Of \$442,700 As Collateral To Protect Deposits

In accordance with Government Auditing Standards, we have also issued our report dated August 26, 1999, on our consideration of Hart County, Kentucky's compliance with certain provisions of laws, regulations, contracts, and grants, and internal control over financial reporting.

We commend the Hart County Fiscal Court and County Treasurer on the fine manner in which they maintained their financial statements and records.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
August 26, 1999

HART COUNTY OFFICIALS

Fiscal Year Ended June 30, 1998

Terry Shelton	County Judge/Executive
J.D. Craddock, III	County Attorney
Doris Crain	County Clerk
Conroy Harris	Circuit Court Clerk
Jeff Staples	Sheriff
Bill Cartmill	Jailer
Mary Beth Bunnell	Property Valuation Administrator
Sue Gardner	County Treasurer
J. Stephen Huff	Coroner
Jim Stewart	Magistrate
Albert Hoover	Magistrate
William Jewell	Magistrate
Franklin Turner	Magistrate
Don Kessinger	Magistrate

STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

HART COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 1998

Assets and Other Resources

Assets

General Fund:	
Cash	\$ 272,662
Investments	400,000
Road and Bridge Fund:	
Cash	223,895
Investments	450,000
Jail Fund:	
Cash	9,680
Local Government Economic Assistance Fund:	
Cash	33,639
Solid Waste Management Fund:	
Cash	62,119
Public Properties Corporation Fund:	
Investments	3,287,561
Payroll Account - Cash	492

Other Resources

Public Properties Corporation Fund:	
Amounts to be Provided in Future Years for	
Bonds Principal Payments (Note 4)	<u>3,698,819</u>
Total Assets and Other Resources	<u><u>\$ 8,438,867</u></u>

The accompanying notes are an integral part of the financial statements.

HART COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 1998
 (Continued)

Liabilities and Fund Balances

Liabilities

Public Properties Corporation Fund:

Bonds Principal Payments Not Matured (Note 4)	\$ 3,865,000
Accrued Interest Payable	12,341
Payroll Account	492

Fund Balances

Reserved:

Public Properties Corporation Fund-	
Detention Center Construction Account	3,109,039

Unreserved:

General Fund	672,662
Road and Bridge Fund	673,895
Jail Fund	9,680
Local Government Economic Assistance Fund	33,639
Solid Waste Management Fund	<u>62,119</u>

Total Liabilities and Fund Balances	<u><u>\$ 8,438,867</u></u>
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The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

HART COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 1998

<u>Cash Receipts</u>	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
Schedule of Operating Revenue	\$ 2,661,239	\$ 1,335,954	\$ 1,111,169	\$ 67,789
Transfers In	568,984	109,242	20,000	330,500
Net Bond Sale Proceeds (Note 4)	3,788,213			
Accrued Interest Received	12,341			
Lease - Purchase Proceeds	95,000	95,000		
Total Cash Receipts	<u>\$ 7,125,777</u>	<u>\$ 1,540,196</u>	<u>\$ 1,131,169</u>	<u>\$ 398,289</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 2,539,005	\$ 951,550	\$ 1,072,428	\$ 391,803
Schedule of Unbudgeted Expenditures	484,333			
Transfers Out	568,984	439,742	20,000	
Bonds - Costs of Issuance	60,724			
Total Cash Disbursements	<u>\$ 3,653,046</u>	<u>\$ 1,391,292</u>	<u>\$ 1,092,428</u>	<u>\$ 391,803</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 3,472,731	\$ 148,904	\$ 38,741	\$ 6,486
Cash Balance - July 1, 1997*	<u>1,266,825</u>	<u>523,758</u>	<u>635,154</u>	<u>3,194</u>
Cash Balance - June 30, 1998*	<u>\$ 4,739,556</u>	<u>\$ 672,662</u>	<u>\$ 673,895</u>	<u>\$ 9,680</u>

* Cash Balance Includes Investments

The accompanying notes are an integral part of the financial statements.

HART COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
Fiscal Year Ended June 30, 1998
(Continued)

Local Government Economic Assistance Fund	Solid Waste Management Fund	Public Properties Corporation Fund
\$ 28,915	\$ 85,348	\$ 32,064
		109,242
		3,788,213
		12,341
<u>\$ 28,915</u>	<u>\$ 85,348</u>	<u>\$ 3,941,860</u>
\$ 47,714	\$ 75,510	\$ 484,333
		109,242
		60,724
<u>\$ 47,714</u>	<u>\$ 75,510</u>	<u>\$ 654,299</u>
\$ (18,799)	\$ 9,838	\$ 3,287,561
52,438	52,281	
<u>\$ 33,639</u>	<u>\$ 62,119</u>	<u>\$ 3,287,561</u>

HART COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 1998

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Hart County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Public Properties Corporation Fund as part of the reporting entity.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts.

C. Basis of Accounting

The financial statements were prepared on a cash basis of accounting pursuant to Kentucky Revised Statute (KRS) 68.210 as recommended by the State Local Finance Officer. Consequently, certain revenues and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

D. Legal Compliance - Budget

The Hart County budget is adopted on a cash basis of accounting and laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

HART COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1998
(Continued)

Note 1. (Continued)

E. Cash and Investments (Continued)

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.65 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. The county entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of August 26, 1997, the uncollateralized amount on deposit was \$442,700. The pledged securities and FDIC insurance did not equal or exceed the amount on deposit.

HART COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1998
(Continued)

Note 3. Deposits (Continued)

The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of August 26, 1997.

	<u>Bank Balance</u>
Collateralized with securities held by the county's agent in the county's name	\$ 1,295,000
Uncollateralized and uninsured	<u>442,700</u>
Total	<u><u>\$ 1,737,700</u></u>

Note 4. Long-Term Debt

The Hart County Public Properties Corporation, an independent corporate agency and instrumentality of Hart County, issued mortgage revenue bonds, series 1998, dated March 1, 1998, for the purpose of constructing a new detention facility. On March 1, 1998, \$3,865,000 of mortgage revenue bonds were issued at various interest rates. Since these mortgage revenue bonds were issued at a discount of \$76,787, the net bond proceeds were \$3,788,213. As of June 30, 1998, the principal balance outstanding was \$3,865,000. Debt service requirements are:

<u>Fiscal Year</u>	<u>Interest</u>	<u>Principal</u>
1999	\$ 177,717	\$
2000	177,718	125,000
2001	172,718	130,000
2002	167,387	135,000
2003	161,785	140,000
Thereafter	<u>1,508,075</u>	<u>3,335,000</u>
Totals	<u><u>\$ 2,365,400</u></u>	<u><u>\$ 3,865,000</u></u>

HART COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1998
(Continued)

Note 5. Lease-Purchase Agreement

The county has entered into the following lease-purchase agreement:

Description	Purchase Date	Maturity Date	Interest Rate	Amount
KADD Financing Trust: Voting Machines	09/09/1997	06/01/2002	5.83%	\$ 84,100

Note 6. Commitments and Contingencies

A. Capital Lease

On March 31, 1999, the Hart County Fiscal Court entered into a lease-purchase agreement with Kentucky Area Development Districts (KADD) Financing Trust for the \$350,000 purchase of solid waste equipment. These payments are to be made by the Solid Waste Management District. The debt service requirements are:

Fiscal Year	Interest	Principal
1999	\$ 2,770	\$ 7,100
2000	15,509	43,700
2001	13,445	45,700
2002	11,285	47,900
2003	9,022	50,200
2004	6,650	52,600
2005	4,166	55,000
2006	1,567	47,800
Totals	<u>\$ 64,414</u>	<u>\$ 350,000</u>

B. Industrial Authority Loans

1. On May 21, 1998, the Hart County Fiscal Court authorized Terry Shelton, County Judge/Executive, to co-sign a note at the bank for the Industrial Authority in the amount of \$480,000. This loan was issued July 1, 1997 at a variable interest rate for a year, but was renewed on July 1, 1998 and July 1, 1999. When the loan was renewed on July 1, 1999, the interest rate was set at 6.587%. The Industrial Authority is to make the loan payments.
2. On May 21, 1998, the Hart County Fiscal Court authorized Terry Shelton, County Judge/Executive, to co-sign a note at the bank for the Industrial Authority in the amount of \$246,100 for the spec building. The loan was issued June 1, 1998 at an interest rate of 7.5% for two years. The Industrial Authority is to make the loan payments.

HART COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1998
(Continued)

C. Subsequent Event

During fiscal year 1999, the county entered into the following lease-purchase agreement:

Description	Purchase Date	Maturity Date	Interest Rate	Amount
KADD Financing Trust:				
Upgrade of Tower and Dispatch Equipment	08/08/1998	12/01/2003	5.12%	\$ 101,000

Note 8. Insurance

For the fiscal year ended June 30, 1998, Hart County was a member of the Kentucky Association of Counties' All Lines Insurance Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

HART COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 1998

<u>Budgeted Funds</u>	Budgeted Operating Revenue	Actual Operating Revenue	Over (Under) Budget
General Fund	\$ 1,085,286	\$ 1,335,954	\$ 250,668
Road and Bridge Fund	891,500	1,111,169	219,669
Jail Fund	63,114	67,789	4,675
Local Government Economic Assistance Fund	48,214	28,915	(19,299)
Solid Waste Management Fund	60,000	85,348	25,348
Total	<u>\$ 2,148,114</u>	<u>\$ 2,629,175</u>	<u>\$ 481,061</u>

Reconciliation

Total Budgeted Operating Revenue Above	\$ 2,148,114
Add: Budgeted Prior Year Surplus	631,608
Less: Other Financing Uses	<u>(109,242)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures	<u>\$ 2,670,480</u>

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SCHEDULE OF OPERATING REVENUE

HART COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 1998

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Revenue From Local Taxes</u> <u>and Excess Fees</u>				
Sheriff:				
Taxes	\$ 348,707	\$ 348,707	\$	\$
County Clerk:				
Deed Transfer Tax	21,267	21,267		
Occupational Licenses	682	682		
Delinquent Taxes	5,258	5,258		
Excess Fees - 1997	85,388	85,388		
Franchise Taxes -				
Cellular Settlement	4,519	4,519		
Tangible Personal Property Taxes:				
Other Counties	9,039	9,039		
County Clerk	62,916	62,916		
Delinquent Personal Tax	12	12		
Omitted Property Tax	3,085	3,085		
Occupational Employment Tax	565,485	565,485		
In Lieu of Taxes:				
Tennessee Valley Authority	11,134	11,134		
U.S. Treasurer	6,103	6,103		
Totals	<u>\$ 1,123,595</u>	<u>\$ 1,123,595</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>U.S. Treasurer</u>				
Federal Law Enforcement				
Receipts - Lake Patrol	\$ 8,652	\$ 8,652	\$ 0	\$ 0
<u>Federal Receipts - State Treasurer</u>				
Disaster and Emergency Assistance				
Grant - Coordinator Salary	\$ 436	\$ 436	\$	\$
Federal Disaster and Emergency				
Agency Reimbursement	2,527		2,527	
Totals	<u>\$ 2,963</u>	<u>\$ 436</u>	<u>\$ 2,527</u>	<u>\$ 0</u>

HART COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

Local		
Government	Solid	Public
Economic	Waste	Properties
Assistance	Management	Corporation
Fund	Fund	Fund

\$	\$	\$
----	----	----

\$	\$	\$
0	0	0

\$	\$	\$
0	0	0

\$	\$	\$
----	----	----

\$	\$	\$
0	0	0

HART COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Kentucky State Treasurer</u>				
Jail:				
Allotments	\$ 49,188	\$	\$	\$ 49,188
Medical Allotments	3,827			3,827
Driving Under The Influence Fees	3,320			3,320
County Road Aid	750,397		750,397	
Truck License Distribution	151,651		151,651	
Courthouse Rental - Administrative				
Office of the Courts	38,709	38,709		
Refunds:				
Legal Process Tax	95	95		
Drivers Licenses	1,462		1,462	
Dog Licenses	133	133		
Severance Taxes:				
Mineral	27,827			
Grants:				
Disaster and Emergency				
Assistance Grant -				
Coordinator Salary	478	478		
Local Government Economic				
Development Grant	83,000	83,000		
Transportation Cabinet Grant	139,600		139,600	
Totals	\$ 1,249,687	\$ 122,415	\$ 1,043,110	\$ 56,335

Miscellaneous Revenue

Interest	\$ 75,658	\$ 16,646	\$ 43,741	\$ 982
Dividends	21,764	1,472		
Circuit Court Clerk:				
Jail Cost	10,321			10,321
Work Release	70			70
Licenses and Permits:				
Building Inspections	16,803	16,803		
Cable TV Franchise	10,080	10,080		

HART COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

Local		
Government	Solid	Public
Economic	Waste	Properties
Assistance	Management	Corporation
<u>Fund</u>	<u>Fund</u>	<u>Fund</u>

\$ \$ \$

27,827

<u>\$ 27,827</u>	<u>\$ 0</u>	<u>\$ 0</u>
---------------------	------------------------	------------------------

\$ 1,088	\$ 1,429	\$ 11,772
		20,292

HART COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Miscellaneous Revenue (Continued)</u>				
Charges for Services:				
Garbage Collection (Franchise)	\$ 73,032	\$	\$	\$
Dispatch Services	14,500	14,500		
Other Charges for Services	6,248			
Bond Payment Fees	56		56	
Vending Machine Commissions	65	65		
Telephone Commissions	81	81		
Rentals and Leases	17,105	17,105		
Recycling Fees	3,329			
Reimbursements	9,410	1,390	8,020	
Insurance Reimbursement	1,847	1,847		
Sale of Dog Tags	342	342		
Sale of Materials	5,025		3,715	
Surplus Machinery and Equipment Sales	10,000		10,000	
Miscellaneous Items	606	525		81
Totals	<u>\$ 276,342</u>	<u>\$ 80,856</u>	<u>\$ 65,532</u>	<u>\$ 11,454</u>
Total Operating Revenue	<u><u>\$ 2,661,239</u></u>	<u><u>\$ 1,335,954</u></u>	<u><u>\$ 1,111,169</u></u>	<u><u>\$ 67,789</u></u>

HART COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

Local Government Economic Assistance Fund	Solid Waste Management Fund	Public Properties Corporation Fund
\$	\$ 73,032	\$
	6,248	
	3,329	
	1,310	
<u>\$ 1,088</u>	<u>\$ 85,348</u>	<u>\$ 32,064</u>
<u>\$ 28,915</u>	<u>\$ 85,348</u>	<u>\$ 32,064</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

HART COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 1998

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u>			
<u>General Government</u>			
Office of County Judge/Executive:			
Salaries-			
County Judge/Executive	\$ 30,170	\$ 30,170	\$
Secretaries	7,963	7,963	
Office Materials and Supplies	2,113	2,113	
Office of County Attorney:			
Salaries-			
County Attorney	5,146	5,146	
Secretaries	14,387	14,387	
Office Materials and Supplies	357	357	
Office of County Clerk:			
Legal Notice, Recording, and Court Costs	500	303	197
Office Materials and Supplies	974	17	957
Printing and Binding	727	727	
New Office Equipment	1,000	1,000	
Tax Bill Preparation	6,229	6,229	
Office of Sheriff:			
Program Support	41,400	41,400	
Security Services	27,720	8,652	19,068
Law Enforcement	6,262	6,262	
Reimbursement	513	513	
Office of County Coroner:			
Salaries-			
County Coroner	5,300	5,300	
Deputy Coroner	2,150	2,150	
Hospital Services	75	75	
Lease Payments - Pager	300	255	45
Office Materials and Supplies	150	115	35
Printing, Stationery, Forms, etc.	203	203	
Telephone	200	115	85
Travel	2,800	1,949	851

HART COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND (Continued)</u>			
<u>General Government (Continued)</u>			
Fiscal Court:			
Magistrates-			
Salaries	\$ 20,507	\$ 20,507	\$
Expense Allowances	7,487	7,487	
Advertising	1,955	1,955	
Duplicating Supplies	5,565	5,473	92
Insurance - Liability	7,060	7,059	1
Memberships	5,385	5,385	
Travel	2,500	1,939	561
Maintenance and Repair Services-			
Equipment	1,935	1,935	
Fiscal Court Clerk Salary	620	620	
Office of Property Valuation Administrator:			
Statutory Contribution	15,781	15,781	
Office of Board of Assessment Appeals:			
Per Diem	400	400	
Office of County Treasurer:			
County Treasurer Salary	12,814	12,814	
Office Materials and Supplies	1,178	713	465
New Office Equipment	1,200	1,200	
Office of County Finance Director:			
County Finance Director Salary	6,825	6,825	
Postal Charges	864	864	
Office of Tax Administration:			
Occupational Tax Administrator Salary	20,606	20,606	
Office Materials and Supplies	1,000	643	357
Postal Charges	2,000	1,634	366
Printing, Stationery, Forms, etc.	1,500	1,032	468
Refunds	2,196	2,196	
County Law Library:			
Law Librarian Salary	1,260	1,200	60

HART COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND (Continued)</u>			
<u>General Government (Continued)</u>			
Elections:			
Per Diem-			
Election Commissioners	\$ 2,200	\$ 1,211	\$ 989
Election Officers	15,001	6,939	8,062
Advertising	1,500	561	939
Polling Places	400	200	200
Materials and Supplies	8,000	1,890	6,110
Printing, Stationery, Forms, etc.	600	63	537
Voting Machines-			
Principal on Lease	10,900	10,900	
Interest on Lease	3,912	3,912	
New Election Equipment	94,684	92,915	1,769
Economic Development:			
Program Support	1,741	1,741	
Water Transport Lines	95,100	95,100	
Courthouse:			
Custodial Personnel	27,860	27,839	21
Custodial Supplies	11,880	10,654	1,226
Renewals and Repairs	14,792	14,792	
Utilities	46,100	46,100	
Other County Properties:			
City - County Community Center	21,000	20,702	298
<u>Protection to Persons and Property</u>			
Juvenile Detention:			
Housing Prisoners - Other Counties	10,700	6,665	4,035
Building Code Enforcement:			
Building Inspector Salary	14,058	13,051	1,007
Office Materials and Supplies	361	361	
Telephone	281	281	

HART COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND (Continued)</u>			
<u>Protection to Persons and Property</u> <u>(Continued)</u>			
Disaster and Emergency Services:			
Office Materials and Supplies	\$ 1,368	\$ 969	\$ 399
Telephone	2,400	2,319	81
Travel	1,526	967	559
New Equipment	3,604	3,604	
Ambulance Service:			
Ambulance Service Grant	3,538	3,538	
Emergency Dispatch Service:			
Dispatchers and Radio Operators Salaries	48,300	43,435	4,865
Maintenance and Repair Services-			
Equipment	3,500	2,302	1,198
New Equipment	600	274	326
Forestry Fire Protection:			
Kentucky State Treasurer	2,296	2,296	
Office of Public Defender:			
Program Support	1,861	631	1,230
<u>General Health and Sanitation</u>			
Dog Control:			
Dog Warden Salary	3,171	3,171	
Dog Tag Fees	80	75	5
Health Department:			
Contribution	74,098	74,098	
Soil and Water Conservation:			
Contribution	13,151	13,151	

HART COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND (Continued)</u>			
<u>Social Services</u>			
Senior Citizens Program:			
Contribution	\$ 1,500	\$ 1,500	\$
<u>Recreation and Culture</u>			
Cooperative Extension Service:			
Salaries-			
Secretary	17,193	17,193	
Cooperative Extension Agent	2,415	2,415	
Office Materials and Supplies	261	261	
Postal Charges	500	500	
Telephone	1,700	1,700	
Travel	5,500	5,500	
New Office Equipment	900	900	
Other Cultural Programs:			
Contributions	1,000	1,000	
<u>Administration</u>			
General Services:			
Audit Services	15,845	15,845	
Insurance-			
Building and Contents	4,505	4,505	
Liability	15,124	15,124	
Fidelity and Surety Bonds	7,827	7,827	
Miscellaneous	6,683	6,683	
Contingent Appropriations:			
Reserve for Transfers	19,332		19,332
Fringe Benefits:			
County Contributions-			
Social Security	37,215	36,425	790
Retirement	42,765	42,076	689
Health Insurance	25,344	23,627	1,717

HART COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
<u>GENERAL FUND (Continued)</u>			
<u>Administration (Continued)</u>			
Fringe Benefits: (Continued)			
Worker's Compensation	\$ 8,093	\$ 8,093	\$
Unemployment Insurance	<u>4,847</u>	<u></u>	<u>4,847</u>
Total Operating Budget	\$ 1,036,389	\$ 951,550	\$ 84,839
Other Financing Uses:			
Transfers to Public Properties			
Corporation Fund	<u>109,242</u>	<u>109,242</u>	<u></u>
Total General Fund	<u>\$ 1,145,631</u>	<u>\$ 1,060,792</u>	<u>\$ 84,839</u>
<u>ROAD AND BRIDGE FUND</u>			
<u>General Government</u>			
Office of County Judge/Executive:			
Salaries-			
County Judge/Executive	\$ 18,491	\$ 18,491	\$
Secretaries	4,879	4,879	
Office Materials and Supplies	1,138	1,001	137
Office of County Attorney:			
Salaries-			
County Attorney	3,154	3,154	
Secretaries	8,818	8,818	
Office Materials and Supplies	152	140	12
Fiscal Court:			
Magistrates-			
Salaries	12,568	12,568	
Expense Allowances	4,588	4,588	
Duplicating Supplies	640	629	11
Memberships	3,998	3,998	
Travel	950	797	153
Fiscal Court Clerk Salary	319	319	

HART COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>ROAD AND BRIDGE FUND (Continued)</u>			
<u>General Government (Continued)</u>			
Office of County Treasurer:			
County Treasurer Salary	\$ 7,792	\$ 7,792	\$
Office Materials and Supplies	1,555	1,555	
New Office Equipment	114		114
<u>Roads</u>			
Office of Road Supervisor/Engineer:			
Road Supervisor Salary	26,363	26,363	
Road Maintenance:			
Road Workers Salaries	165,400	165,136	264
Asphalt	201,413	193,869	7,544
Contracted Construction - Highways	175,169	175,169	
General Construction Materials	260	260	
Mapping	9,937	9,937	
Materials	120,902	120,902	
Motor Vehicle Parts	37,000	35,968	1,032
New Highway Equipment	123,764	123,753	11
Petroleum Products	30,859	27,507	3,352
Pipes	17,599	17,599	
Renewals and Repairs - County Barn	5,074	4,375	699
Signs	11,332	10,427	905
Utilities	6,000	3,495	2,505
<u>Administration</u>			
General Services:			
Audit Services	3,406	2,635	771
Insurance	19,836	19,836	
Miscellaneous	1,967	1,967	
Contingent Appropriations:			
Reserve for Budget Transfers	32		32

HART COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>ROAD AND BRIDGE FUND (Continued)</u>			
<u>Administration (Continued)</u>			
Fringe Benefits:			
County Contributions-			
Retirement	\$ 25,801	\$ 19,840	\$ 5,961
Social Security	23,195	17,353	5,842
Health Insurance	15,756	9,821	5,935
Worker's Compensation	17,487	17,487	
Unemployment Insurance	8,400		8,400
Total Road and Bridge Fund	\$ 1,116,108	\$ 1,072,428	\$ 43,680

JAIL FUND

Protection to Persons and Property

Office of Jailer:			
Personnel Services-			
Salaries-			
Jailer	\$ 33,000	\$ 32,970	\$ 30
Jail Personnel	14,695	14,695	
Operations-			
Communication Equipment	68	68	
Food	156	156	
Office Supplies	274	274	
Routine Medical	39,072	39,072	
Staff Uniforms	126	126	
Telephone	1,769	1,769	
Transporting Prisoners to			
Other Counties	18,564	17,566	998
Vehicle Maintenance	1,665	1,665	
Housing Prisoners - Other Counties	268,570	268,570	
Juvenile Detention:			
Reimbursement	427	427	
Travel - Sheriff (Jail)	3,420	3,034	386

HART COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>JAIL FUND (Continued)</u>			
<u>Administration</u>			
General Services:			
Liability Insurance	\$ 2,262	\$ 2,262	\$
Insurance - Fidelity and Surety Bonds	101	101	
Memberships	50	50	
Training	95	95	
Fringe Benefits:			
County Contributions-			
Retirement	4,988	4,558	430
Social Security	4,505	4,345	160
Total Jail Fund	<u>\$ 393,807</u>	<u>\$ 391,803</u>	<u>\$ 2,004</u>
<u>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND</u>			
<u>General Government</u>			
Economic Development:			
Chamber of Commerce	\$ 22,000	\$ 22,000	\$
Contribution - Leadership Hart County	500		500
<u>General Health and Sanitation</u>			
Soil and Water Conservation:			
Contribution	7,449	7,449	
<u>Recreation and Culture</u>			
Cooperative Extension Service:			
4-H Agent Salary	11,576	11,576	
Office Materials and Supplies	1,239	1,239	
Conferences and Training	1,050	1,050	
Travel	3,500	3,500	
Education Program	900	900	
Total Local Government Economic Assistance Fund	<u>\$ 48,214</u>	<u>\$ 47,714</u>	<u>\$ 500</u>

HART COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>SOLID WASTE MANAGEMENT FUND</u>			
<u>General Health and Sanitation</u>			
Solid Waste:			
Salaries-			
Director	\$ 19,394	\$ 19,394	\$
Laborers	25,757	25,755	2
Contracted Services	5,391	5,391	
Motor Vehicle Parts	10,102	10,020	82
Postal Charges	74	40	34
Telephone	383	383	
Travel	2,199	2,163	36
Utilities	500	412	88
New Equipment	2,970	2,970	
<u>Administration</u>			
Fringe Benefits:			
County Contributions-			
Retirement	3,430	3,273	157
Social Security	3,362	3,309	53
Health Insurance	2,400	2,400	
Total Solid Waste Management Fund	\$ 75,962	\$ 75,510	\$ 452
Total Operating Budget - All Funds	\$ 2,670,480	\$ 2,539,005	\$ 131,475
Other Financing Uses:			
Transfers to Public Properties			
Corporation Fund	109,242	109,242	
TOTAL BUDGET - ALL FUNDS	\$ 2,779,722	\$ 2,648,247	\$ 131,475

SCHEDULE OF UNBUDGETED EXPENDITURES

HART COUNTY
SCHEDULE OF UNBUDGETED EXPENDITURES

Fiscal Year Ended June 30, 1998

<u>Expenditures</u>	<u>Public Properties Corporation Fund</u>
Advertising	\$ 530
Easement for Sewer Facilities	4,000
Insurance	36,767
Jail Construction	374,421
Professional Fees	9,415
Purchase of Land	58,640
Utilities	546
Miscellaneous	<u>14</u>
Total	<u><u>\$ 484,333</u></u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr. Auditor of Public Accounts

Honorable Terry Shelton, County Judge/Executive
Members of the Hart County Fiscal Court

Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Hart County, Kentucky, as of and for the year ended June 30, 1998, and have issued our report thereon dated August 26, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Hart County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards and is described in the accompanying comment and recommendation, included herein.

- The County Should Have Required Depository Institutions To Pledge Additional Securities Of \$442,700 As Collateral To Protect Deposits

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hart County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Terry Shelton, County Judge/Executive
Members of the Hart County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
August 26, 1999

COMMENT AND RECOMMENDATION

HART COUNTY
COMMENT AND RECOMMENDATION

Fiscal Year Ended June 30, 1998

The County Should Have Required Depository Institutions To Pledge Additional Securities Of \$442,700 As Collateral To Protect Deposits

The county's deposits were not adequately secured by \$442,700 as of August 26, 1997. Under provisions of KRS 66.480(1)(d) and KRS 41.240(4), banks are required to provide pledges of securities as collateral for interest-bearing and noninterest-bearing deposits if either exceeds the \$100,000 amount of insurance coverage provided by the Federal Deposit Insurance Corporation. We recommend that the county require depository institutions to pledge sufficient securities as collateral to protect deposits at all times.

Management's Response:

Practices have been implemented to correct security pledges.

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**CERTIFICATION OF COMPLIANCE – LOCAL
GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

HART COUNTY FISCAL COURT


Fiscal Year Ended June 30, 1998

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
HART COUNTY FISCAL COURT

The Hart County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name
County Judge/Executive



Name
County Treasurer